

Lecture Series Webinar

MARK FLEMING | FIRST AMERICAN CHIEF ECONOMIST

Schumpeter's Gale

Mark answers your questions from the webinar

Q: Cap rates in the mobile home park space have largely compressed and are now similar to apartments. With almost no increase in supply, continued demand for affordable housing and rising interest rates, where do cap rates/returns for that product type go from here?

A: This is a really good point. As the general inventory supply shortage continues, all residential property classes are impacted. In addition to an overall supply shortage, there is also a shortage of affordable housing, too. I don't expect the economic conditions causing the supply and affordable housing shortages to change in the near term. In fact, the demand for affordable housing is likely to continue to increase as house prices continue to rise.

Q: What do you see as the overall impact of student debt on home ownership and the economy in general?

A: Student debt is often cited as a cause for lower home ownership rates based on the amount of debt levels. It's better to look at debt burden in terms of how much it costs per month to service the student loan debt relative to income. There, we typically find that, as a share of income, student debt payment burdens are about the same (4 percent) as they have been for the last 20 years. While the loan amounts are big, the monthly payments are on average more manageable because student debt repayment terms are extended and rates are low. It's more accurate to say that student debt delays homeownership as it takes a few years longer to save the down payment. Studies have shown that, by age 35, there is no difference in the homeownership rate for those with or without student debt coming out of college.

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